

CONFORMED COPY

CREDIT NUMBER 2474 MAG

Project Agreement

(Food Security and Nutrition Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

FONDS D'INTERVENTION POUR LE DEVELOPPEMENT

Dated April 9, 1993

CREDIT NUMBER 2474 MAG

PROJECT AGREEMENT

AGREEMENT, dated April 9, 1993, between INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and FONDS D'INTERVENTION POUR LE DEVELOPPEMENT (FID).

WHEREAS (A) by the Development Credit Agreement of even date herewith between Republic of Madagascar (the Borrower) and the Association, the Association has agreed to make available to the Borrower an amount in various currencies equivalent to fifteen million five hundred thousand Special Drawing Rights (SDR 15,500,000), on the terms and conditions set forth in the Development Credit Agreement, but only on condition that FID agree to undertake such obligations toward the Association as are set forth in this Agreement;

(B) by a Convention to be entered into between the Borrower and FID, a portion of the proceeds of the Credit provided for under the Development Credit Agreement will be made available to FID on the terms and conditions set forth in said Convention; and

WHEREAS FID, in consideration of the Association's entering into the Development Credit Agreement with the Borrower, has agreed

to undertake the obligations set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

#### ARTICLE I

##### Definitions

Section 1.01. Unless the context otherwise requires, the several terms defined in the Development Credit Agreement and in the General Conditions (as so defined) have the respective meanings therein set forth.

#### ARTICLE II

##### Execution of the Project

Section 2.01. (a) FID declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Development Credit Agreement and, to this end, shall carry out Part A.1 of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering and public works practices, and shall cause to be provided, promptly as needed, the funds, facilities, services and other resources required for Part A.1 of the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Association and FID shall otherwise agree, FID shall carry out Part A.1 of the Project in accordance with the Manual of Procedures.

Section 2.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for Part A.1 of the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to the Development Credit Agreement.

Section 2.03. FID shall carry out the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of the Project Agreement and Part A.1 of the Project.

Section 2.04. FID shall duly perform all its obligations under the Convention and the Manual of Procedures. Except as the Association shall otherwise agree, FID shall not take or concur in any action which would have the effect of amending, abrogating, assigning or waiving the Convention, the Manual of Procedures, or any provision thereof.

Section 2.05. (a) FID shall, at the request of the Association, exchange views with the Association with regard to the progress of Part A.1 of the Project, the performance of its obligations under this Agreement and under the Convention and the Manual of Procedures, and other matters relating to the purposes of the Credit.

(b) FID shall promptly inform the Association of any condition which interferes or threatens to interfere with the progress of Part A.1 of the Project, the accomplishment of the purposes of the Credit, or the performance by FID of its obligations under this Agreement and under the Convention and the Manual of Procedures.

Section 2.06. Without limitation upon the provisions of Section 2.05 of this Agreement, FID shall:

(a) prepare the programs, budgets and reports with respect to Part A.1 of the Project, referred to in paragraph 2 of Schedule 4 to the Development Credit Agreement, in accordance with the provisions of said paragraph; and

(b) participate in the midterm review of the Project provided for under said paragraph and, soon thereafter, implement the recommendations of such a review within its competence.

### ARTICLE III

#### Management and Operations of FID

Section 3.01. FID shall carry on its operations and conduct its affairs in accordance with sound administrative, financial, engineering and public works practices and with the Manual of Procedures, under the supervision of qualified and experienced management assisted by competent staff in adequate numbers, including an executive director and a regional director in each of the FID offices of the Provinces of Antananarivo and Toliary, all with qualifications and experience satisfactory to the Association.

Section 3.02. FID shall at all times operate and maintain its plant, machinery, equipment and other property, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound engineering, financial and public works practices.

Section 3.03. FID shall take out and maintain with responsible insurers, or make other provision satisfactory to the Association for, insurance against such risks and in such amounts as shall be consistent with appropriate practice.

### ARTICLE IV

#### Financial Covenants

Section 4.01. (a) FID shall maintain records and accounts adequate to reflect in accordance with sound accounting practices its operations and financial condition.

(b) FID shall:

- (i) have its records, accounts and financial statements (balance sheets, statements of income and expenses and related statements) and the records and accounts for the FID Special Account, for the first six-month period for each three months, and thereafter for each six months, audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;
- (ii) have its administrative, technical and managerial performance for each fiscal year audited, with comments on its compliance with the provisions of this Agreement, the Convention, the Statuts and the Manual of Procedures, by the auditors referred to in above subparagraph (i);
- (iii) furnish to the Association as soon as available, but in any case not later than three months after the end of each such period, (A) certified copies of its financial statements for such year as so audited, and (B) the report of such audits by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and
- (iv) furnish to the Association such other information concerning said records, accounts and financial statements and performance as well as the audit thereof, as the Association shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals

from the Credit Account were made on the basis of statements of expenditure, FID shall:

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal from the Credit Account or payment out of the FID Special Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Association's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the audit referred to in paragraph (b) (i) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

#### ARTICLE V

##### Effective Date; Termination; Cancellation and Suspension

Section 5.01. This Agreement shall come into force and effect on the date upon which the Development Credit Agreement becomes effective.

Section 5.02. (a) This Agreement and all obligations of the Association and of FID thereunder shall terminate on the earlier of the following two dates:

- (i) the date on which the Development Credit Agreement shall terminate in accordance with its terms; or
- (ii) the date fifteen years after the date of this Agreement.

(b) If the Development Credit Agreement terminates in accordance with its terms before the date specified in paragraph (a) (ii) of this Section, the Association shall promptly notify FID of this event.

Section 5.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions.

#### ARTICLE VI

##### Miscellaneous Provisions

Section 6.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable, telex or radiogram to the party to which it is required or permitted to be given or made at such party's address hereinafter specified or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are:

For the Association:

International Development Association  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Cable address:

INDEVAS  
Washington, D.C.

Telex:

248423 (RCA)  
82987 (FTCC)  
64145 (WUI) or  
197688 (TRT)

For FID:

FID, c/o Bureau de SECALINE  
Lot 1BG-121-Ter  
B.P. 3873  
Antananarivo  
Madagascar

Telex:

Section 6.02. Any action required or permitted to be taken, and any document required or permitted to be executed, under this Agreement on behalf of FID, or by FID on behalf of the Borrower under the Development Credit Agreement, may be taken or executed by the Chairman of the Board of Directors or such other person or persons as the Chairman of the Board of Directors shall designate in writing, and FID shall furnish to the Association sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 6.03. This Agreement may be executed in several counterparts, each of which shall be an original, and all collectively but one instrument.

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Francisco Aguirre-Sacasa  
Acting Regional Vice President  
Africa

FONDS D'INTERVENTION POUR LE DEVELOPPEMENT

By /s/ Pierrot Rajaonarivelo  
Authorized Representative